

**Summary of guidelines issued with respect to implementation of changes relating to Tax Collection at Source (TCS) on Liberalised Remittance Scheme (LRS)**

Below are the highlights and key clarifications from the [Circular No. 10/ 2023](#) dated June 30, 2023 for your reference:

- Increase in TCS rates which were to come into effect from 1st July 2023 shall now come into effect from **1<sup>st</sup> October 2023**. Till 30<sup>th</sup> September 2023, earlier rates (*prior to amendment by the Finance Act, 2023*) shall continue to apply.
- Coverage of international credit card spends under LRS has been **deferred**. No TCS shall be applicable on expenditure through international credit card while being overseas **till further direction**.
- Threshold of INR 700,000 for LRS is **combined threshold** for applicability of TCS on LRS, irrespective of the purpose of the remittance (i.e. for medical, education, any other purpose etc.).
- Threshold of INR 700,000 for TCS to become applicable on LRS applies for **full financial year**. If this threshold has already been exhausted (say before 1 October 2023), all subsequent remittances under LRS would be liable for TCS at applicable rates.
- Threshold of INR 700,000 for LRS is **qua remitter and not qua AD**. In this regard, following points would be relevant:
  - As real time monitoring of remittance under LRS by remitter is still under development by Reserve Bank of India ('RBI'), an undertaking provided by the remitter at the time of the remittance for all earlier remittances in a financial year may be taken by AD and seller of OTP for assessing TCS applicability.
  - If TCS compliance is in line with the information furnished by the remitter, such AD or seller of OTP would not be considered as 'assessee-in-default'.
  - In case of false information furnished by the remitter in the undertaking, appropriate action may be taken against the remitter.
- **Threshold for LRS and OTP shall apply independently**. There is no TCS on LRS upto a limit of INR 700,000. However, in case of TCS on OTP, a TCS rate of 5% is applicable upto the limit of INR 700,000, and of 20% beyond this limit. In case remittance in a purchase of OTP by a resident individual from a foreign tour operator, which is also classified under LRS, **TCS provisions for seller of OTP (and not LRS) shall apply**.
- The scope of medical and education expense, wherein a lower TCS rate of 5% is applicable in excess of INR 700,000, has been clarified to include the following:

Particulars	Scope to include
Medical <sup>^</sup>	<ul style="list-style-type: none"> <li>• remittance for purchase of tickets of the person to be treated medically overseas (and his attendant) for commuting between India and the overseas destination</li> <li>• his medical expense</li> <li>• other day to day expenses required</li> </ul> <p>a. <i>Transactions which are related to health services acquired by residents travelling abroad for medical reasons, which includes medical services, other healthcare, food, accommodation and local transport transactions.</i></p> <p>b. <i>Transactions for health services rendered remotely or onsite (that is no travel by service recipient is involved). This cover services from hospitals, doctors, nurses, paramedical and similar services, etc.</i></p>
Education*	<ul style="list-style-type: none"> <li>• remittance for purchase of tickets of the person undertaking study overseas for commuting between India and the overseas destination</li> <li>• the tuition and other fees to be paid to educational institute</li> <li>• other day to day expenses required for undertaking such study</li> </ul> <p>c. <i>Education related services such as tuition, food, accommodation, local transport and health services acquired by resident students while residing overseas.</i></p> <p>d. <i>Transactions for education (e.g. fees for correspondence courses abroad) where the person receiving education does not travel overseas.</i></p>

<sup>^</sup> For points (a) and (b)- codes referred to in RBI Master Direction in LRS- S0304 and S1108

\* For points (c) and (d)- codes referred to in RBI Master Direction in LRS- S0305 and S1107

- Summary of TCS rates applicable upto 30 September 2023 and beyond:

S. No.	Particulars	Rate as per Finance Act 2020 (to apply upto 30 September 2023)	Rate with effect from 1 October 2023
1	For the purpose of any education, if the amount being remitted out is a loan obtained from any financial institution under section 80E of the Act (under Liberalized Remittance Scheme) ('LRS')	<ul style="list-style-type: none"> <li>• NIL upto INR 700,000</li> <li>• 0.5% in excess of INR 700,000</li> </ul>	<ul style="list-style-type: none"> <li>• NIL upto INR 700,000</li> <li>• 0.5% in excess of INR 700,000</li> </ul>
2	For purpose of education other than (1)	<ul style="list-style-type: none"> <li>• NIL upto INR 700,000</li> </ul>	<ul style="list-style-type: none"> <li>• NIL upto INR 700,000</li> </ul>
	For purpose of medical treatment	<ul style="list-style-type: none"> <li>• 5% in excess of INR 700,000</li> </ul>	<ul style="list-style-type: none"> <li>• 5% in excess of INR 700,000</li> </ul>
3	Authorized Dealer ('AD') receiving amount for remittance under LRS (other purposes not covered in (1) and (2) above)	<ul style="list-style-type: none"> <li>• NIL upto INR 700,000</li> <li>• 5% in excess of INR 700,000</li> </ul>	<ul style="list-style-type: none"> <li>• NIL upto INR 700,000</li> <li>• 20% in excess of INR 700,000</li> </ul>

S. No.	Particulars	Rate as per Finance Act 2020 (to apply upto 30 September 2023)	Rate with effect from 1 October 2023
4	Seller of Overseas Tour Program Package ('OTPP')	<ul style="list-style-type: none"> <li>5% without any threshold</li> </ul>	<ul style="list-style-type: none"> <li>5% upto INR 700,000</li> <li>20% in excess of INR 700,000</li> </ul>

- For a booking to qualify as OTPP, such booking should include at least two of the following:
  - International travel ticket,
  - Hotel accommodation (with or without food) / boarding / lodging,
  - Any other expenditure of similar nature or in relation thereto.

In other words, purchase of only international travel ticket or purchase of only hotel accommodation, by itself shall not be covered within the definition of OTPP.

**\*\*\*This update has been prepared with support from our knowledge partners, KPMG\*\*\***

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